

Tag, EAM is it

Source tagging has helped automated packaging equipment supplier EAM succeed in changing its business.

Tom O'Reilly reports

Roland Wyman

Director of sales, EAM

Being in the right place at the right time is often the difference between success and failure. That's not to say EAM wouldn't have succeeded as a packaging automation equipment supplier, but source tagging has become a key product offering for the Scarborough, Maine-based company.

Theft at retail is a critical issue for many industries, including the disc business. In the mid-1990s, retailers began requiring security tags – also referred to as source tags or Electronic Article Surveillance (EAS) – to be placed in disc packaging.

"The CD industry agreed to comply with source tagging, which was to be done by the replicator," says EAM's Roland Wyman. Initially, labelers were used to applying the source tags, but they did not work very well.

"The CD industry was having all sorts of pain supporting the source tagging," continues Wyman. "Replicators started adding labellers [to their packaging lines], but it was a nightmare. It was difficult to handle [a source tag] as a label."

Enter EAM, already in the packaging automation business, and by its very charter, a designer and manufacturer of innovative automation systems. EAM quickly attacked the problem. It not only created such a system, but rapidly became a dominant player in source tagging automation solutions in the disc industry, with an estimated 90% market share in the US. The company also offers source tagging solutions for folding carton manufacturers and vinyl tool pouches, to name a couple of examples. While the disc industry has always been the primary purchaser of EAM's automated source tagging solutions, the company expects non-disc applications to overtake disc applications in 2007.

That could change again depending on how successful one, or both, of the next generation DVD formats are. "I'll be very happy to see one or both of them take off," says Wyman of the respective HD DVD and Blu-ray launches. Even if only one is successful, it will require source tagging, particularly as both formats are entertainment-focused. "I don't see people retiring DVD [source tagging] equipment," he says, meaning additional sales of new source tagging systems.

Supplying source tagging equipment puts EAM in a somewhat unique position in that it works closely with packaging automation companies including Heino Ilsemann, Gima and Kyoto, the same companies EAM competes against in selling its own packaging automation equipment. But Wyman said that the relationships have worked very well, in large part because EAM comes at packaging automation from a somewhat different perspective than Heino Ilsemann, Gima and Kyoto.



EAM has quickly become a dominant player in source tagging automation solutions

"We target smaller companies who want to make the leap into automated packaging," says Wyman. While larger automated packaging suppliers offer systems with capabilities often exceeding 100 parts per minute, EAM's DVD PAC Plus starts at 20 parts per minute. "As [a replicator's] needs increase, he can add additional units, up to 80 parts per minute."

EAM is platform agnostic when it comes to the next-generation format war. Its DVD PAC Plus units can be modified to support either HD DVD or Blu-ray. While that has helped convince some replicators to purchase DVD PAC Plus, knowing it is upgradeable, the next-gen DVD format launch has generally slowed down automated packaging system sales, as replicators wait to see how the respective launches turn out. "There's so much bally-hoo about HD and Blu-ray, it has had a stalling effect," says Wyman. "Some customers thinking about adding a couple more of our DVD packaging work stations have gone quiet."

Next-generation DVD packaging has not gone the automated route yet. "From what we can see, some of the major replicators are [packaging] limited quantities on their manual packaging lines," says Wyman. "They're wary [of committing to a single format], seeing the potential for shakeout, and one winner."

Additionally, HD DVD and Blu-ray package design features are still changing. "They are still in a state of flux," says Wyman of the new boxes. "There are quite a few changes being made. It's still a moving target." That makes it impossible to fine-tune automated packaging lines with changes – some fairly major – still being made.

Automated packaging companies are also being negatively impacted by the large amount of used equipment on the market. "It has affected all of us," says Wyman. "In the first half [of this year], there has been a huge flood of used equipment on the market."

While EAM has seen its tech support group business grow, as companies purchase used EAM systems and need help refurbishing or getting the systems running, the overall financial impact has been negative. "I'm sure [used equipment sales] did account for some small loss in sales," says Wyman. "Those would have been new machines."

So, like most other media packaging equipment suppliers, EAM is rooting for both formats to be successful. ●

